

ROBB EVANS & ASSOCIATES LLC

Receiver of

**Homeland Financial Services, National Support Services, LLC, United Debt Recovery, LLC,
Freedom First Financial, LLC, Prosper Financial Solutions,
USA Debt Co, LLC, aka USADEBT.CO.COM and
Monitor of Nationwide Support Services, Inc.**

11450 Sheldon Street
Sun Valley, California 91352-1121
Telephone No.: (818) 768-8100
Facsimile No.: (818) 768-8802

**Federal Trade Commission v. Dennis Connelly, et al.
CASE No. SACV 06-701 DOC (RNBx)**

Notice of Motion and Motion for Order:

- (1) Approving and Authorizing Payment of Permanent Receiver's Fees and Expenses, and for Approval and Payment of Fees and Expenses of Permanent Receiver's Professionals [March 1, 2007 Through August 31, 2007]; and**
- (2) Approving Limited Notice of Motion under Local Civil Rule 66-7**

Memorandum of Points and Authorities and Declarations of Kenton Johnson and Gary Owen Caris in Support Thereof

Filed November 2, 2007

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6 Attorneys for Permanent Receiver and Monitor
7 ROBB EVANS and ROBB EVANS &
ASSOCIATES LLC

8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

10
11 FEDERAL TRADE COMMISSION,

12 Plaintiff,

13 v.

14 DENNIS CONNELLY, et al.,

15 Defendants.

CASE NO. SACV-06-701 DOC
(RNBx)

**NOTICE OF MOTION AND
MOTION FOR ORDER (1)
APPROVING AND AUTHORIZING
PAYMENT OF PERMANENT
RECEIVER'S FEES AND
EXPENSES, AND FOR APPROVAL
AND PAYMENT OF FEES AND
EXPENSES OF PERMANENT
RECEIVER'S PROFESSIONALS
[MARCH 1, 2007 THROUGH
AUGUST 31, 2007]; AND (2)
APPROVING LIMITED NOTICE
OF MOTION UNDER LOCAL
CIVIL RULE 66-7;
MEMORANDUM OF POINTS AND
AUTHORITIES AND
DECLARATIONS OF KENTON
JOHNSON AND GARY OWEN
CARIS IN SUPPORT THEREOF**

DATE: November 26, 2007

TIME: 8:30 a.m.

PLACE: Courtroom 9D

2007 NOV -2 PM 2:35
U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

FILED

1 PLEASE TAKE NOTICE THAT on November 26, 2007 commencing at
2 8:30 a.m. or as soon thereafter as the parties may be heard in Courtroom 9D of the
3 above-entitled Court located at 411 W. 4th Street, Santa Ana, California, Robb
4 Evans and Robb Evans & Associates LLC as Permanent Receiver (“Receiver”) of
5 Homeland Financial Services, Inc., National Support Services, Inc., United Debt
6 Recovery, LLC, and Financial Liberty Services, LLC (for convenience referred to
7 herein as the “Homeland Entities”) will and does hereby move the Court for an
8 order approving the fees and expenses incurred by the Receiver and the fees and
9 expenses of the Receiver’s professionals. The Receiver seeks approval and
10 authorization for payment of the following fees and expenses incurred during the
11 period of March 1, 2007 through and including August 31, 2007 (“Fourth Expense
12 Period”) consisting of Receiver’s fees, including those of the Receiver, the
13 Receiver’s senior members and staff, of \$20,322.14 and Receiver’s expenses of
14 \$2,575.23, and fees and expenses of the Receiver’s attorneys McKenna Long &
15 Aldridge LLP (“McKenna Firm”) of \$15,478.95, pertaining to the receivership of
16 the Homeland Entities.

17 In connection with the motion for approval and payment of fees and
18 expenses, the Receiver further seeks an order deeming the Receiver’s service of
19 notice of this motion and the motion on the parties to this action through service on
20 their counsel of record, service of notice of the hearing on the motion on known
21 non-consumer creditors of the Homeland Entities as well as consumers who have
22 affirmatively contacted the Receiver for a refund, and the Receiver’s posting of the
23 notice of motion and motion, supporting memorandum and declarations without
24 voluminous exhibits on the Receiver’s website for this case at
25 <http://www.robbevans.com/html/homeland.html> pursuant to Local Civil Rules 66-7
26 and 6-1 to be sufficient and appropriate notice under the circumstances.

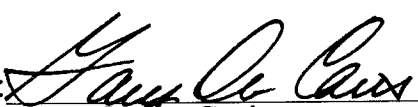
27 This motion is made pursuant to Local Civil Rule 66-7 and is made and
28 based on this notice of motion and motion, the memorandum of points and

1 authorities and declarations of Kenton Johnson and Gary Owen Caris in support
2 hereof, the separate notice of hearing on the motion, on the pleadings, records and
3 files of the Court in connection with this action and on such other oral and
4 documentary evidence and arguments of counsel as may be presented by the
5 Receiver prior to or at the hearing on the motion.

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DATED: November 2, 2007

McKENNA LONG & ALDRIDGE LLP
GARY OWEN CARIS
LESLEY ANNE HAWES

By: 

Gary Owen Caris
Attorneys for Permanent Receiver,
ROBB EVANS and ROBB EVANS &
ASSOCIATES LLC

1 MEMORANDUM OF POINTS AND AUTHORITIES

2 I. INTRODUCTION

3 This action is a civil enforcement action filed by plaintiff Federal Trade
4 Commission (“FTC”) against numerous individual defendants and entities,
5 including Dennis Connolly (“Connolly”), Richard Wade Torkelson (“Torkelson”),
6 Joanne Garneau (“Garneau”), an individual formerly doing business as Prosper
7 Financial Solutions (“Prosper”), Homeland Financial Service, LLC (“Homeland”),
8 National Support Service, LLC (“National”), United Debt Recovery, LLC
9 (“United”), Freedom First Financial LLC (“Freedom”), and USA Debt Co., LLC
10 (“DebtCo”). Robina Capital, Inc. (“Robina”), a corporation owned and controlled
11 by Garneau, assumed the fictitious business name of Prosper (“Robina/Prosper”).
12 By Temporary Restraining Orders entered on August 9, 2006 and August 11, 2006
13 (individually and collectively the “Restraining Order”), the Court appointed Robb
14 Evans and Robb Evans & Associates LLC as Temporary Receiver over defendants
15 Homeland, Prosper, National, United, Freedom, DebtCo and Financial Liberty
16 Services, LLC (“Liberty”), and their affiliates, subsidiaries, successors and assigns
17 and any other corporations or businesses under their control. See Temporary
18 Restraining Order entered August 11, 2006, Section X. Such orders further
19 appointed the Receiver as Monitor over the entity Nationwide Support Service, Inc.
20 (“Nationwide”). See Temporary Restraining Order entered August 11, 2006,
21 Section XII. The Court’s August 11, 2006 Temporary Restraining Order which
22 also set the hearing on the Court’s Order to Show Cause regarding issuance of a
23 Preliminary Injunction Order was extended from time to time by various orders of
24 the Court.

25 The Court subsequently issued three preliminary injunction orders. The
26 Stipulated Preliminary Injunction as to Defendant Joanne Garneau filed October 10,
27 2006 provided for the appointment of the Receiver as permanent receiver over
28 Robina/ Prosper, its affiliates, subsidiaries, successors and assigns and any other

1 corporations or businesses under their control, and also provided for the Receiver to
2 continue as Monitor over Nationwide. The Revised Preliminary Injunction with
3 Asset Freeze, Appointment of Receiver and Other Equitable Relief filed
4 October 18, 2006, provided for the Receiver to be appointed as Permanent Receiver
5 over Homeland, National, United, and Liberty. The Stipulated Preliminary
6 Injunction as to Defendants Freedom First Financial, LLC and USA DebtCo, LLC
7 aka USADebtCo.Com Order entered October 13, 2006 provided for the
8 appointment of Robb Evans & Associates LLC as Monitor over DebtCo and
9 Freedom and their affiliates, subsidiaries, successors and assigns and any other
10 corporations or businesses under their control.¹ The Preliminary Injunction Orders
11 provide for the payment of the fees and expenses incurred by the Receiver and
12 Monitor and their counsel in performance of their duties from the assets of the
13 receivership estates and/or monitored entities, respectively.

14 The Receiver and Monitor previously filed a motion for approval and
15 payment of fees and expenses for the period from the inception of the receivership
16 proceedings on August 10, 2006 when the Receiver first took possession and
17 control of the receivership entities and began supervising the Monitored Entities
18 through and including September 30, 2006 (“Initial Expense Period”). The
19 Receiver and Monitor subsequently filed a motion for approval of payment of fees
20 and expenses for the period from October 1, 2006 through November 30, 2006
21 (“Second Expense Period”) and for the period of December 1, 2006 through
22 February 28, 2007 (“Third Expense Period”). All three motions were granted by
23 the Court without a hearing.

24 Stipulations were entered between the FTC and certain defendants that have
25 resolved the proceedings with the Monitor over Nationwide, DebtCo and Freedom

26 ¹ The October 10, 2006 Stipulated Preliminary Injunction, the October 13,
27 2006 Stipulated Preliminary Injunction and the October 18, 2006 Revised
28 Preliminary Injunction are referred to individually and collectively herein for
convenience as the “Preliminary Injunction Orders.”

1 and certain receivership defendants. The FTC and defendants Garneau and
2 Robina/Prosper filed a settlement agreement and proposed final order on February
3 23, 2007 which notified the Court of the settlement reached between the parties and
4 provided for the winding up of Monitor proceedings with respect to Nationwide and
5 the winding up of the Robina/Prosper receivership and discharging the Monitor and
6 Receiver in these capacities upon payment of the fees and expenses related to the
7 Robina/Prosper receivership and the Nationwide Monitor. The proposed settlement
8 agreement and final judgment further provided for the discharge of the Monitor
9 over Nationwide and the Receiver over Robina/Prosper. The settlement agreement
10 and final judgment was entered by the Court on February 23, 2007.

11 The FTC and defendants Freedom and DebtCo filed a stipulation on April 2,
12 2007 notifying the Court that the parties had reached a settlement and authorizing
13 and approving the winding up of the Monitor proceedings with respect to Freedom
14 and DebtCo and discharging the Monitor of all duties, liabilities and responsibilities
15 upon payment of the Monitor's fees and expenses. The stipulation was approved
16 by the Court on April 2, 2007. The required payments were made to the Receiver
17 in his capacity as Receiver over Robina/Prosper and as Monitor over Nationwide,
18 Freedom and Debtco. Therefore, this motion only addresses the Receiver's fees
19 and expenses and those of his professionals for the Homeland Entities.

20 This motion seeks approval and authorization for payment of fees and
21 expenses incurred by the Receiver, the Receiver's senior members and staff
22 pertaining to the administration of the receivership and the receivership entities
23 incurred from March 1, 2007 through August 31, 2007 in connection with the
24 Homeland Entities ("Fourth Expense Period"). This motion also seeks approval
25 and authorization for payment of the fees and expenses in connection with the
26 Homeland Entities of the McKenna Firm as counsel for the Receiver and Monitor
27 during the Fourth Expense Period.

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1 **II. RECEIVER SEEKS APPROVAL AND AUTHORIZATION FOR**
2 **PAYMENT OF THE FEES AND EXPENSES OF THE RECEIVER**
3 **AND ITS COUNSEL**

4 Attached as Exhibit 1 to the motion is a summary of Receivership
5 Administrative Expenses and Fund Balance by Month for the Fourth Expense
6 Period pertaining to the Homeland Entities and the Receiver's administration and
7 investigation of those entities during the Fourth Expense Period. Attached
8 collectively as Exhibit 2 to the motion are copies of the detailed time records of the
9 Receiver, the Receiver's senior staff and other employees for services rendered by
10 them in connection with the Homeland Entities. During the Fourth Expense Period,
11 the Receiver, senior members and staff of the Receiver incurred aggregate fees of
12 \$20,322.14 and expenses of \$2,575.23 pertaining to the Homeland Entities for
13 which approval and authorization for payment is sought by this motion.

14 As reflected in the time records attached to the motion, during the Fourth
15 Expense Period, the Receiver, with its senior staff and other employees, have
16 continued to analyze the business, financial, insurance, banking and accounting
17 records of the Homeland Entities dating to the inception of the corporations. Also,
18 Kenton Johnson prepared for and attended a hearing regarding a request for
19 instructions with respect to whether the Receiver and its counsel of record were
20 permitted to take all necessary steps to defend a lawsuit brought by Nationwide
21 against Financial without this Court's prior approval. Mr. Johnson further attended
22 the trial on August 22, 2007 and gave testimony. Further, members of the
23 Receiver's staff responded to multiple information technology requests by the FTC.

24 The Receiver has engaged the McKenna Firm as its counsel in this action.
25 The Receiver's counsel drafted the Motion for Instructions referenced above and
26 prepared for and appeared at the hearing regarding same. The Receiver's counsel
27 also assisted the Receiver in addressing various issues regarding the administration
28 of the receivership. The Receiver's counsel also prepared and filed the third fee

1 application. The Receiver's counsel's services are detailed in the Declaration of
2 Gary Owen Caris and Exhibit 3 to the motion. The Receiver has incurred
3 attorneys' fees and costs during the Fourth Expense Period of \$15,478.95
4 pertaining to the receivership of Homeland and its related and affiliated entities.

5 **III. NOTICE OF THIS MOTION IS SUFFICIENT AND APPROPRIATE**
6 **UNDER THE CIRCUMSTANCES**

7 Local Civil Rule 66-7 provides for service of notice of applications for
8 payment of Receiver's fees and expenses on all parties to the action and "on all
9 known creditors of the defendant." Local Rule 66-7 further states that Local Civil
10 Rule 6-1 applies to the notice, and Local Rule 6-1 provides that "unless otherwise
11 ordered by the Court," service of the notice of motion and motion is to be made not
12 later than 24 days in advance of the hearing. As to the receivership entities, certain
13 of the receivership entities, including Homeland, ceased doing business prior to the
14 Receiver's appointment. Not including the thousands of potential consumer
15 creditors, the Receiver has compiled a list of non-consumer creditors from
16 receivership records and a small number of potential consumer creditors who have
17 affirmatively contacted the Receiver for a refund. The Receiver has caused the
18 known non-consumer creditors and consumers who have contacted the Receiver for
19 a refund to date to be served with notice of this motion. The Receiver's analysis of
20 the receivership entities and potential consumer claimants is still at a preliminary
21 stage, and it is neither practical nor cost-effective for the receivership estate to serve
22 notice of the motion at this time on the thousands of potential consumer claimants
23 who may have done business with the receivership entities. For these reasons, the
24 Receiver submits that notice of this motion should be deemed sufficient and
25 appropriate under the circumstances based on service of the motion on the parties to
26 the action through their respective counsel of record as well as service of a notice of
27 the motion on the known non-consumer creditors and the consumers who have
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1 affirmatively requested a refund, and posting of the motion, without voluminous
2 exhibits, on the Receiver's website for this matter.


3 **IV. CONCLUSION**

4 Based upon the foregoing, the Receiver respectfully requests that the Court
5 grant this motion.

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DATED: November 2, 2007

McKENNA LONG & ALDRIDGE LLP
GARY OWEN CARIS
LESLEY ANNE HAWES

By: 
Gary Owen Caris
Attorneys for Permanent Receiver,
ROBB EVANS and ROBB EVANS &
ASSOCIATES LLC

1 successors and assigns and any other corporations or businesses under their control,
2 and also provided for the Receiver to continue as Monitor over Nationwide. The
3 Revised Preliminary Injunction with Asset Freeze, Appointment of Receiver and
4 Other Equitable Relief filed October 18, 2006, provided for the Receiver to be
5 appointed as Permanent Receiver over Homeland, National, United, and Liberty.
6 The Stipulated Preliminary Injunction as to Defendants Freedom First Financial,
7 LLC and USA DebtCo, LLC aka USADebtCo.Com Order entered October 13,
8 2006 provided for the appointment of Robb Evans & Associates LLC as Monitor
9 over DebtCo and Freedom and their affiliates, subsidiaries, successors and assigns
10 and any other corporations or businesses under their control.

11 4. The Receiver and Monitor previously filed a motion for approval and
12 payment of fees and expenses for the period from the inception of the receivership
13 proceedings on August 10, 2006 when the Receiver first took possession and
14 control of the receivership entities and began supervising the Monitored Entities
15 through and including September 30, 2006 ("Initial Expense Period"). The
16 Receiver and Monitor subsequently filed a motion for approval of payment of fees
17 and expenses for the period from October 1, 2006 through November 30, 2006
18 ("Second Expense Period") and for the period of December 1, 2006 through
19 February 28, 2007 ("Third Expense Period"). All three motions were granted by
20 the Court without a hearing.

21 5. Stipulations were entered between the FTC and certain defendants that
22 have resolved the proceedings with the Monitor over Nationwide, DebtCo and
23 Freedom and certain receivership defendants. The FTC and defendants Garneau
24 and Robina/Prosper filed a settlement agreement and proposed final order on
25 February 23, 2007 which notified the Court of the settlement reached between the
26 parties and provided for the winding up of Monitor proceedings with respect to
27 Nationwide and the winding up of the Robina/Prosper receivership and discharging
28 the Monitor and Receiver in these capacities upon payment of the fees and expenses

1 related to the Robina/Prosper receivership and the Nationwide Monitor. The
2 proposed settlement agreement and final judgment further provided for the
3 discharge of the Monitor over Nationwide and the Receiver over Robina/Prosper.
4 The settlement agreement and final judgment was entered by the Court on February
5 23, 2007.

6 6. The FTC and defendants Freedom and DebtCo filed a stipulation on
7 April 2, 2007 notifying the Court that the parties had reached a settlement and
8 authorizing and approving the winding up of the Monitor proceedings with respect
9 to Freedom and DebtCo and discharging the Monitor of all duties, liabilities and
10 responsibilities upon payment of the Monitor's fees and expenses. The stipulation
11 was approved by the Court on April 2, 2007. The required payments were made to
12 the Receiver in his capacity as Receiver over Robina/Prosper and as Monitor over
13 Nationwide, Freedom and DebtCo. Therefore, this motion only addresses the
14 Receiver's fees and expenses and those of his professionals for the Homeland
15 Entities.

16 7. Attached hereto as Exhibit 1 is a summary of Receivership
17 Administrative Expenses and Fund Balance by Month for the Fourth Expense
18 Period pertaining to the Homeland Entities and the Receiver's administration and
19 investigation of those entities during the Fourth Expense Period. Attached hereto
20 collectively as Exhibit 2 are copies of the detailed time records of the Receiver, the
21 Receiver's senior staff and other employees for services rendered by them in
22 connection with the Homeland Entities.

23 8. During the Fourth Expense Period, the Receiver, senior members and
24 staff of the Receiver incurred aggregate fees of \$20,322.14 and Receiver's expenses
25 of \$2,575.23 pertaining to the Homeland Entities. The Receiver also incurred
26 attorneys' fees and costs for the services of its counsel McKenna Long & Aldridge
27 LLP ("McKenna Firm") pertaining to the Homeland Entities of \$15,478.95. The
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1 Receiver seeks approval and authorization for payment of all of the foregoing fees
2 and expenses.

3 9. As reflected in the time records attached to the motion, during the
4 Third Expense Period, the Receiver, with its senior staff and other employees, have
5 continued to analyze the business, financial, insurance, banking and accounting
6 records of the Homeland Entities dating to the inception of the corporations. Also,
7 as Deputy to the Receiver, I prepared for and testified at a hearing and the trial on
8 August 22, 2007. Further, members of the Receiver's staff responded to multiple
9 information technology requests by the FTC.


10 10. As to the receivership entities, certain of the receivership entities,
11 including Homeland, ceased doing business prior to the Receiver's appointment.
12 Not including the thousands of potential consumer creditors, the Receiver has
13 compiled a list of non-consumer creditors from receivership records and a small
14 number of potential consumer creditors who have affirmatively contacted the
15 Receiver for a refund. The Receiver has caused the known non-consumer creditors
16 and consumers who have contacted the Receiver for a refund to date to be served
17 with notice of this motion. The Receiver has also caused the motion to be served
18 on the parties to this action through their counsel of record. The Receiver will also
19 cause a copy of the notice of motion and motion, supporting memorandum and
20 declarations without voluminous exhibits to be posted on the Receiver's website for
21 this case at <http://www.robbevans.com/html/homeland.html>.

22 11. The Receiver believes there may be consumer creditors with claims
23 against one or more of the receivership entities. However, at this time, those
24 persons are not "known" to the Receiver both as to their identity, their location and
25 as to whether such consumers are in fact creditors with claims against the
26 receivership entities and the estate. The Receiver's analysis of the receivership
27 entities and potential consumer claimants is still preliminary, and it is neither
28 practice nor cost-effective for the receivership estate to serve notice of the motion at

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this time because there were thousands of consumers who may have done business with the receivership entities. The Receiver therefore seeks an order deeming that service of the notice of this motion and motion as set forth herein and without service on thousands of potential consumer claimants is appropriate and sufficient.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on November 1, 2007 at Sun Valley, California.


KENTON JOHNSON

DECLARATION OF GARY OWEN CARIS

I, Gary Owen Caris, declare:

1. I am an attorney at law duly admitted to practice before the courts of the State of California and before the United States District Court for the Central District of California and am a member of the firm of McKenna Long & Aldridge LLP (“McKenna Firm”), the attorneys for Robb Evans and Robb Evans & Associates LLC as Permanent Receiver (“Receiver”) in this case. I have personal knowledge of the matters set forth in this declaration, and if I were called upon to testify as to these matters, I could and would competently testify based upon my personal knowledge.

2. I am the attorney primarily responsible for the representation of the Receiver in this case. Attached hereto collectively as Exhibit 3 are copies of redacted billing statements for services rendered by the McKenna Firm in connection with its representation of the Receiver as Receiver of the Homeland Entities for the period from March 1, 2007 through August 31, 2007 (“Fourth Expense Period”). The billing statements have been redacted to remove the descriptions of privileged and confidential attorney-client communications between the McKenna Firm and the Receiver. During the Fourth Expense Period, I prepared for and appeared at the hearing concerning the Receiver’s Motion for Instructions. My firm also assisted the Receiver in addressing various issues regarding the administration of the receivership and prepared and filed the third fee application.

3. I am familiar with the billing practices and procedures of the McKenna Firm and the attorneys, paralegals and other professionals whose services are billed by the Firm to its clients. The billing statements are prepared in the ordinary course of business by the Firm’s accounting department from time records regularly input and updated by attorneys, paralegals and other professionals rendering services to clients. I review the draft “pre-bills” that are generated from the time entries and the final billing statements for my clients. I find that the billing statements

1 accurately reflect the time entries regularly made by professionals at the Firm and
2 the services rendered and expenses incurred in connection with the McKenna
3 Firm's representation of its clients.

4 4. I have practiced law in the State of California for over 27 years and
5 have specialized in the representation of federal equity receivers in civil
6 enforcement actions filed by the Federal Trade Commission and the Securities and
7 Exchange Commission for more than seven years. I am familiar with the billing
8 rates charged by attorneys in the Southern California area and believe the rates
9 charged by the McKenna Firm in this matter and the fees and expenses requested
10 for the Fourth Expense Period are fair and reasonable given the nature of the
11 services rendered, the time expended, the expertise of the attorneys and others
12 performing services in this matter, the rates charged by other firms and attorneys in
13 the Southern California area and other factors.

14 I declare under penalty of perjury that the foregoing is true and correct and
15 that this declaration was executed on November 2, 2007 at Los Angeles,
16 California.

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19 GARY OWEN CARIS
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